Item	1984 Act	Stopgap	Suggested Compromise
A. Rates	1. Generally the test rate is 110 percent of the AFR; the imputation rate is 120% of the AFR. 2. 9 percent test rate (10% imputation rate) for: (a) principal residence (to the extent sales price does not exceed $250,000) (b) farms (where sales price does not exceed $1 million). 3. 6 percent test rate (7% imputation rate) for sales of land between family members ($500,000 annual limit). 4. Federal rates are redetermined once every six months. Treasury regulations provide for alternative rates which were redetermined every month, which rates can be used for that month and the next two succeeding months.	For sales of non-investment credit property prior to July 1, 1985-- 1. 9 percent test rate (10 percent imputation rate) for borrowed amounts of $2 million or less. 2. Blend of 9 percent and 110 percent of AFR for borrowed amounts over $2 million (blend of 10 percent and 120 percent of AFR imputation rate).	1. Where the amount of seller financing is less than $2 million, the test rate would be the lesser of (i) 9 percent, or (ii) 100 percent of the AFR. 2. Where the amount of seller financing is more than $4 million, the test rate would be 100 percent of the AFR. 3. Where the amount of seller financing is between $2 million and $4 million, the amount eligible for the 9 percent rate would be reduced by $1 for each dollar the seller financing exceeds $2 million. 4. The threshold amounts would be indexed for inflation beginning after 1988. 5. Treasury would be given authority to issue regulations setting forth rules regarding aggregation of notes that are essentially part of a single transaction and regarding relationship of imputed interest rules to other Code provisions. 6. The 9 percent test rate would not be available for new property eligible for the investment tax credit (i.e., 100 percent of AFR would apply). 7. The imputation rate would be the same as the test rate (i.e., there would be no higher penalty rate where inadequate interest is stated). 8. Federal rates would be determined on a monthly rather than a semiannual basis. Treasury would have authority to allow taxpayers to prove that a lower test rate is appropriate.

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Item	1984 Act	Stopgap	Suggested Compromise
B. Assumptions	Applies to assumptions and wraparound debt.	Excepts assumptions of-- 1. loans made before October 16, 1985, in transactions of less than $100 million; 2. loans in connection with sales of residences, farms, and small businesses. Wraparound debt not excepted.	The imputed interest rules would not apply to loan assumptions. For this purpose, issuance of wraparound debt would not be treated as an assumption.
C. Method of Accounting for Interest	Generally requires accrual accounting for deferred interest in transactions involving more than $250,000 total payments. Exceptions for sales of farms (up to $1 million) and principal residences (no limit).	Cash accounting required for sales of farms for $2 million or less. Other rules of 1984 Act unaffected.	1. If the amount of seller financing is $2 million or less, the parties may elect to account for interest on the note under the cash method. 2. The election would not be available if the seller is either (i) a dealer (i.e., is selling the property in the ordinary course of its trade or business) or (ii) an accrual basis taxpayer. 3. If the seller transfers the buyer's cash-cash note to a third party, the transferee would report interest on the note according to its normal accounting method. 4. If the parties elect the cash method, any person who assumes the buyer's debt also must report interest on the debt on the cash method. 5. Treasury would be authorized to issue regulations containing rules to prevent abuse of cash-cash accounting.

Item	1984 Act		Suggested Compromise
D. Cost Recovery Deductions	Under ACRS, the basis of real property (other than low-income property) is recovered over an 18-year period.		The recovery period for real property (other than low-income property) would be increased to 19 years. Effective date: Property placed in service after May 8, 1985, except where there was a binding contract before, or construction begun before, May 8, 1985, and the property is placed in service before January 1, 1987.